

Message Text

CONFIDENTIAL

PAGE 01 TOKYO 08168 01 OF 02 281436 Z

43

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C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 8168

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SUBJ: NIXON/ TANAKA SUMMIT BACKGROUND PAPER VI: ENERGY

SUMMARY: JAPAN'S DEPENDENCE ON IMPORTED OIL FOR ITS ENERGY REQUIREMENTS AND ITS FEAR OF BEING CUT OFF FROM SOURCES OF SUPPLY HAVE DICTATED POLICY BASED ON FRIENDLY RELATIONS WITH PRODUCING COUNTRIES, COOPERATION WITH THE MAJORS, EFFORTS TO INCREASE DIRECT ACCESS AND COOPERATION WITH DEVELOPED CONSUMING COUNTRIES. UNDER SITUATION OF CRITICAL REEXAMINATION OF OIL POLICY BY JAPANESE, EMBASSY BELIEVES US SHOULD WORK WITH JAPANESE IN EFFORT AVOID INDEPENDENT ACTIONS BY JAPAN TO DETRIMENT OF CONSUMING COUNTRIES. POSSIBLE AREAS FOR COOPERATION ARE EMERGENCY APPORTIONMENT, RESEARCH AND DEVELOPMENT, EXPLORATION AND EXPLOITATION AND ATOMIC ENERGY. END SUMMARY.

1. RECENT STATEMENT BY MITI MINISTER NAKASONE CHARACTERIZES JAPANESE CONCERNS ABOUT OIL IN STARK FASHION: QTE. A STOPPAGE OF OIL SUPPLIES COULD PROVOKE A CIVIL WAR IN JAPAN SUCH AS THAT TRIGGERED BY RICE HOARDING IN THE PAST. OIL IS BLOOD TO INDUSTRIES IN TODAY'S JAPAN. IN THIS SENSE, OIL IS MORE IMPORTANT TO THE NATION THAN THE SELF- DEFENSE FORCES. UNQTE.

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PAGE 02 TOKYO 08168 01 OF 02 281436 Z

2. JAPAN IS DEPENDENT ON OIL FOR THREE- QUARTERS OF ITS ENERGY REQUIREMENTS. IMPORTED OIL ACCOUNTS FOR 99 PERCENT OF CONSUMPTION, NEARLY 90 PERCENT BEING OBTAINED FROM THE PERSIAN GULF. WITH THESE FACTORS AS BACKGROUND, JAPAN SEES ITSELF AS THE MOST VULNERABLE DEVELOPED COUNTRY WITH REGARD TO ENERGY. THIS CRUCIAL DEPENDENCE ON IMPORTED OIL AND THE PREVAILING FEAR OF BEING CUT OFF FROM ITS SOURCES OF SUPPLY IS A MAJOR DETERMINANT OF JAPAN' S FOREIGN POLICY.

2. UNDER THESE CIRCUMSTANCES JAPAN' S ENERGY POLICY HAS CONSISTED OF FOUR FOLLOWING MAJOR ELEMENTS:

A. FRIENDLY RELATIONS WITH MIDDLE EAST OIL PRODUCING COUNTRIES. JAPAN HAS FOLLOWED A NOMINALLY NEUTRAL POLICY RE MIDDLE EAST ISSUES BUT IN FACT IT HAS BEEN CHARACTERIZED BY CLEAR AVOIDANCE OF ANTAGONIZING ARAB OIL PRODUCING NATIONS. AS RESULT, GOJ HAS BEEN EXTREMELY RELUCTANT TO PLACE ITSELF IN POSITION OF HAVING TO TAKE SIDES IN CONFRONTATION BETWEEN PRODUCER AND CONSUMER COUNTRIES. IF SUCH CONFRONTATION WERE TO ARISE IN COUNTRY WHICH IS NOT SIGNIFICANT OIL SUPPLIER TO JAPAN, EMBASSY BELIEVES THERE WOULD BE BETTER THAN EVEN CHANCE JAPAN WOULD PARTICIPATE WITH CONSUMERS AS LONG AS LATTER PRESENTED UNITED FRONT AND GOJ BELIEVED CONSUMER GROUP ACTION HAD REASONABLE CHANCE OF SUCCESS. IF CONFRONTATION WERE TO ARISE IN COUNTRY WHICH IS MAJOR SUPPLIER OF OIL TO JAPAN (SUCH AS SAUDI ARABIA OR KUWAIT, EMBASSY BELIEVES THAT JAPANESE WOULD FIND IT VERY HARD TO RESIST PRODUCING COUNTRY PRESSURES NOT TO JOIN CONSUMER ACTION GROUP. SHORT OF A CRISIS, IF PRODUCERS WERE TO MAKE INCREASED OIL EXPORTS TO JAPAN CONTINGENT ON FURTHER POLITICAL SUPPORT IN AREAS SUCH AS UN RESOLUTIONS ON HIJACKING AND CONDEMNATION OF ISRAELI AGGRESSION, JAPAN WOULD BE VERY LIKELY TO GIVE THIS SUPPORT.

B. COOPERATION WITH MAJOR OIL COMPANIES. THE GOJ IS WELL AWARE OF ITS DEPENDENCE ON THE MAJORS FOR THE SUPPLY OF THE BULK OF ITS OIL REQUIREMENTS AND THAT DESPITE ITS EFFORTS TO MAINTAIN ITS DIRECT ACCESS TO OIL, ITS DEPENDENCE WILL NOT BE MARKEDLY REDUCED IN FORESEEABLE FUTURE.
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PAGE 03 TOKYO 08168 01 OF 02 281436 Z

ACCORDINGLY, GOJ HAS WORKED AT MAINTAINING GOOD RELATIONS WITH THE MAJORS.

C. INCREASING DIRECT CONTROL. AT SAME TIME JAPAN HAS SET AS GOAL INCREASING SHARE OF IMPORTS OVER WHICH IT HAS SOME MEASURE OF DIRECT CONTROL FROM BELOW 10 PERCENT TO 30 PERCENT BY 1985. WHILE THIS GOAL IS NOT NEW, GOJ SEEMS

TO HAVE UNDERTAKEN MORE SERIOUS EFFORTS IN RECENT MONTHS TO ACHIEVE IT. JAPAN IS IN THE PROCESS OF CONSOLIDATING AND STRENGTHENING PETROLEUM EXPLORATION COMPANIES WORKING AROUND THE WORLD; IT IS PURSUING EFFORTS TO DEVELOP NON- OPEC SOURCES OF OIL, PARTICULARLY IN SIBERIA; IT HAS MADE FIRST PURCHASE OF PRODUCTION FACILITIES IN PERSIAN GULF; AND IT IS MOVING TOWARD CLOSER RELATIONS WITH OPEC COUNTRIES BY CONSIDERING DOWNSTREAM INVESTMENT AND TECHNICAL ASSISTANCE.

D. COOPERATION WITH THE DEVELOPED CONSUMING COUNTRIES. JAPAN HAS MAINTAINED A BASIC POLICY OF COOPERATION WITH CONSUMING COUNTRIES AS LONG AS THIS DOES NOT IMPLY CONFRONTATION WITH OR OPPOSITION TO THE PRODUCING COUNTRIES. THIS HAS BEEN HANDLED LARGELY WITHIN THE FRAMEWORK OF THE OECD.

4. IN RECENT MONTHS THE JAPANESE HAVE BEGUN CRITICALLY TO REEXAMINE THEIR OVERALL OIL POLICY IN LIGHT OF INCREASING WORLDWIDE DEMAND RELATIVE TO SUPPLIES; THE CONCOMITANT PRICE INCREASES; JAPANESE CONCERN OVER THE SHARP INCREASE IN EXPECTED U. S. IMPORT REQUIREMENTS; AND THE CHANGING NATURE OF RELATIONSHIP BETWEEN THE PRODUCER COUNTRIES AND THE MAJORS.

5. IN EMBASSY'S VIEW IT IS IN U. S. INTEREST TO SEEK TO WORK WITH THE JAPANESE IN ORDER TO LESSEN THE CHANCES OF THE JAPANESE ACTING INDEPENDENTLY OF CONSUMING COUNTRIES IN MANNER WHICH WOULD BID UP PRICES FOR ALL CONSUMING COUNTRIES AND COULD RESULT IN JAPANESE PREEMPTION OF IMPORTANT SUPPLIES. TOWARD THIS END THERE ARE FOUR AREAS IN WHICH WE COULD USEFULLY EXPLORE U. S.- JAPAN COOPERATION. AS EMBASSY SEES IT, IN THE CASE OF EACH OF THESE AREAS, IN ADDITION TO PROMOTING THE OVERALL GOAL

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PAGE 04 TOKYO 08168 01 OF 02 281436 Z

OF COOPERATION TO AVOID DAMAGING COMPETITION BETWEEN THE TWO COUNTRIES, THERE SEEM TO BE SPECIFIC BENEFITS WHICH WOULD ACCRUE TO U. S.

A. EMERGENCY APPORTIONMENT. THE GOJ SEEMS TO BE QUITE SERIOUS IN ITS DESIRE TO PURSUE THE POSSIBILITY OF WORKING

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PAGE 01 TOKYO 08168 02 OF 02 281438 Z

43
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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 8168

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OUT AN OECD- WIDE APPORTIONMENT SCHEME AS A MATTER OF PRINCIPLE. HOWEVER, THERE IS A DIFFERENCE OF PHILOSOPHY BETWEEN THE US AND JAPAN IN THAT THE LATTER' S POSITION IS THAT APPORTIONMENT SHOULD BE ON THE BASIS OF CONSUMPTION RATHER THAN IMPORTS. THE QUESTION OF THE CIRCUMSTANCES UNDER WHICH EMERGENCY ALLOCATION SCHEME WOULD BE USED ALSO NEEDS TO BE DISCUSSED FURTHER.

B. RESEARCH AND DEVELOPMENT. INITIAL DISCUSSIONS BY EMBASSY WITH GOJ INDICATE GREAT RECEPTIVITY TO IDEA OF COOPERATION IN ENERGY R & D. EACH COUNTRY IS CONDUCTING ADVANCED RESEARCH IN MANY ENERGY- RELATED FIELDS SO THAT A COOPERATIVE PROGRAM, PERHAPS INVOLVING ALLOCATION OF PRIMARY RESEARCH AREAS TO EACH COUNTRY, COULD REDOUND TO BENEFIT OF BOTH. GOJ HAS ALREADY PROPOSED SPECIFIC FIELDS FOR COOPERATION, ON WHICH IT HAS SOLICITED US VIEWS.

C. COOPERATION IN EXPLORATION AND EXPLOITATION PROJECTS. IN VIEW OF COMMON INTEREST OF U. S. AND JAPAN IN FINDING NEW SOURCES OF ENERGY SUPPLIES AND, IN SO DOING, REDUCING DEPENDENCE ON MIDDLE EAST OIL, PLUS SUBSTANTIAL FINANCIAL AND TECHNOLOGICAL REQUIREMENTS, THERE WOULD SEEM TO BE CONSIDERABLE SCOPE FOR JOINT PROJECTS. NOTABLE AMONG THESE ARE SIBERIAN RESOURCE DEVELOPMENT, ESPECIALLY TYUMEN OIL PIPELINE AND YAKUTSK NATURAL GAS
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PAGE 02 TOKYO 08168 02 OF 02 281438 Z

DEVELOPMENT.

D. ATOMIC ENERGY. IN THE ATOMIC ENERGY AREA, WE

MIGHT CONSIDER COOPERATION WITH THE JAPANESE IN FAST BREEDER REACTOR DEVELOPMENT, RESEARCH ON CONTROLLED THERMONUCLEAR FUSION AND CONSTRUCTION OF ADDITIONAL URANIUM ENRICHMENT CAPACITY. LATTER AREA IS COMPLICATED BY NATIONAL SECURITY CLASSIFICATION OF THE CURRENT TECHNOLOGY AS WELL AS POTENTIALLY AVAILABLE ALTERNATE TECHNOLOGY. THE U. S. ATTITUDE REGARDING THE RELATIONSHIP BETWEEN JAPANESE PARTICIPATION AND THE SECURITY PROBLEM SHOULD THEREFORE BE RESOLVED BEFORE ENCOURAGING JAPANESE HOPES OF COOPERATION WITH THE U. S. IN ATOMIC ENERGY. INGERSOLL

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